

null  
Diana T Fritz 08/28/2006 03:54:01 PM From DB/Inbox: Search Results

Cable  
Text:

C O N F I D E N T I A L ABU DHABI 04105

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: P/M AMB DCM POL

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: AMB:MJSISON  
DRAFTED: ECON:AECURTIS  
CLEARED: ECON:OJOHN

VZCZCADI255  
RR RUEHC RUEHDE RUEATRS  
DE RUEHAD #4105/01 2711209  
ZNY CCCCC ZZH  
R 281209Z SEP 05  
FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC 1771  
INFO RUEHDE/AMCONSUL DUBAI 5445  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 004105

SIPDIS

STATE FOR NEA/ARPI RSMYTH  
STATE PASS USTR FOR SDONNELLY, DBELL, KCLAYMAN, AROSENBERG  
TREASURY FOR RWERNER, JEL-HINDI, WLANGFORD, PBROWN

E.O. 12958: DECL: 09/28/2015  
TAGS: [KTFN](#) [EFIN](#) [PTER](#) [ETRD](#) [ECON](#) [TC](#)  
SUBJECT: UAE DESIRES MECHANISM TO REVIEW ASSET FREEZES

REF: A. ABU DHABI 4103  
[1](#)B. ABU DHABI 1550

Classified By: (U) Classified by Ambassador Michele J. Sison for reasons 1.5 (b) and (d).

[1](#)1. (C) Summary. During his September 17-19 visit to the UAE, Bob Werner, Director of the Department of Treasury's Office of Foreign Assets Control (OFAC), met with Sheikh Ahmed bin Zayed, General Manager of the Abu Dhabi Investment Authority (ADIA), to discuss concerns the UAE has raised during the U.S./UAE FTA negotiations about asset freezing. Werner explained to Ahmed that the U.S. already has a mechanism for processing requests that frozen assets be unblocked. He also emphasized that the U.S. must maintain a uniform system and that it cannot create a special process for the UAE. Werner and Ahmed agreed that it would be useful to have appropriate UAEG and USG officials meet so that the U.S. can explain the current process. (See ref A for a readout of other aspects of Werner's visit.) End summary.

[1](#)2. (C) Background. As a part of the FTA negotiations, the UAE has requested that two sides sign a side letter indicating the U.S. will develop a formal mechanism to review the freezing of UAE assets. The UAE's proposed side letter, presented during the second round of FTA negotiations in Washington in May, states, "No party shall continue to hold any such assets which it contends are subject to seizure for a period greater than 30 days without establishing the propriety of such seizure under standards and procedures to be mutually agreed upon not later than 180 days following the entry into force of the Agreement (FTA)." (Note: the UAE often uses the term "seizure" when it means "blocking" or "freezing" of assets.) The UAE cites as justification for its request for a mechanism its experience in trying to have the

U.S. unblock \$116 million in UAEG assets in the ARBIFT bank that were frozen in 1992 under the Libya sanctions regime. The ARBIFT assets remained frozen over six months past the lifting of the OFAC-implemented sanctions against Libya (ref B), and UAEG officials were repeatedly frustrated by a process that they perceived as a confusing and non-transparent. End background.

#### Security of Assets

-----

¶3. (C) On September 18th, OFAC Director Werner met with ADIA General manager Sheikh Ahmed and ADIA's Executive Director Salem Al-Mazroui. Ahmed conveyed that ADIA wants to increase its investments in the U.S., but that it needs to be assured that it can protect its interests -- "We have recovered from the ARBIFT issue, but we are now looking forward." Werner acknowledged that the UAE's past experience had been frustrating, and he assured Ahmed that he understood the UAE's desire for a transparent mechanism. Salem stated that he hopes the U.S. will be able to respond to the UAE's request for a side letter because "we believe that since we have a strategic alliance, our concerns regarding freezes warrants attention." Werner explained that the U.S. already has a system in place to process unblocking requests, which, if fully understood by the UAE, might satisfy their concerns. He emphasized that the U.S. cannot create a special process for any one country. He indicated that OFAC would be willing to participate in a working group that could meet with appropriate UAEG counterparts in order to better explain the existing mechanism, if USTR approved the establishment of such a group. Sheikh Ahmed supported this idea and indicated his confidence that we can reach an agreement that both sides will be "comfortable with."

¶4. (SBU) OFAC Associate Director Jamal El-Hindi and the rest of the OFAC delegation held a concurrent, more technical, meeting with ADIA legal advisors William Brown and Robert Peake. Directors Werner and Al-Mazroui joined the meeting after concluding their discussion with Sheikh Ahmed. During this meeting, Brown stressed the importance of the assets protection issue to Abu Dhabi as part of the FTA negotiations, based in part on the frustrations experienced by key persons in Abu Dhabi with respect to the blocking of ARBIFT.

¶5. (C) El-Hindi noted that a better understanding between the parties of OFAC's unblocking process would be beneficial. He explained that the U.S. mechanism for dealing with requests to unblock assets was similar in substance, if not in form, to what the UAE is requesting in its side letter. He stated that the U.S. applied its procedures in the same manner "across the board," noting that special procedures were unlikely. The group discussed how the U.S. mechanism differed from the UAE proposal, in that it placed the burden on the party with the frozen assets to demonstrate why the funds should be unblocked, and that depending on the circumstance, the process may not result in the unblocking of assets. El-Hindi noted that under its present procedures, the USG also had the flexibility to protect assets, as was done with respect to Kuwait's assets during its occupation by Iraq. Brown noted that the language of the side letter could be "massaged" to shift the burden to initiate the request to the UAE, and he understood that it is not guaranteed that the outcome will be the release of the assets. He noted that the main issue for the UAE is to have a transparent process with a designated point of contact and procedure for review. All parties agreed that a "small" working group to explain the process and provide appropriate points of contact would be beneficial. Brown and Peake emphasized that the group must be small, with only key representatives from USTR, Treasury, ADIA, the UAE Ministry of Finance, and possibly the Central Bank present. They also noted that they think the meeting should be held before the third round of FTA negotiations.

#### Comment

-----

¶16. (C) Embassy supports the idea of bringing together key USG and UAEG officials to discuss the unblocking procedure, and we recommend that USTR invite ADIA, Central Bank, and Ministry of Finance officials to the U.S. in October to discuss this issue with USTR and OFAC officials before the third round of negotiations. This is a critical issue for ADIA, and by extension the UAEG, because they view their investments in the U.S. as a key component of their "national security." We believe that educating ADIA on the process and convincing them that the system is transparent and durable is the best way to raise ADIA's comfort level and thus make progress on this issue.

¶17. (C) Sheikh Ahmed told Werner that ADIA and ADNOC (the Abu Dhabi National Oil Company) were the two most important arms of the UAEG. This comment -- while accurate -- is unusually candid, since both of these bodies are Abu Dhabi Emirate bodies rather than federal institutions. ADIA is officially the Emirate of Abu Dhabi's investment arm. More importantly, however, it is the Emirate of Abu Dhabi's "checkbook." If the Emirate's revenues exceed expenditures (as is currently the case), the excess goes to ADIA. On the other hand, if Abu Dhabi needs money, it calls on ADIA. As the Emirate of Abu Dhabi funds the overwhelming majority of the UAEG's expenditures, ADIA is the UAE's checkbook, but one which the federal government has no control over. Estimates of ADIA's overseas assets range from a low of \$200 billion to \$600 billion.

Bio Notes  
-----

¶18. (C) Sheikh Ahmed, the 11th of 19 sons of former President Zayed, is a shy individual who rarely meets foreigners. He was engaging and dynamic during this meeting and opened up to Werner. During a discussion about the high price of oil, Ahmed noted that other countries in the Middle East are trying to emulate ADIA's investment strategy. He observed that the UAE has only \$160 billion in debt and joked that if oil prices continue to rise, the UAE will be able to eliminate that debt in a year.

¶19. (U) This cable was cleared by OFAC Director Werner and Associate Director El-Hindi.  
SISON